

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Unit Name City of Munising, Michigan	County Alger
Fiscal Year End June 30, 2007	Opinion Date December 10, 2007	Date Audit Report Submitted to State 12-19-07			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

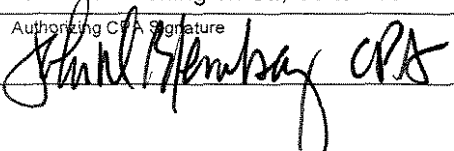
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Co., PLC		Telephone Number (906)225-1166	
Street Address 102 W. Washington St., Suite 109		City Marquette	State MI
Authorizing CPA Signature 		Printed Name John W. Blemberg	Zip 49855
		License Number 10180	

**CITY OF MUNISING, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2007**

## TABLE OF CONTENTS

Table of Contents.....	2
Independent Auditors' Report.....	4
Management's Discussion and Analysis.....	6

### **Basic Financial Statements**

Statement of Net Assets.....	13
Statement of Activities.....	14
Governmental Funds Balance Sheet.....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	16
Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	18
Proprietary Funds Statement of Net Assets.....	19
Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets.....	20
Proprietary Funds Statement of Cash Flows.....	21
Fiduciary Funds Statement of Fiduciary Net Assets.....	22
Fiduciary Funds Statement of Changes in Fiduciary Net Assets.....	23
Component Units Combining Statement of Net Assets.....	24
Component Units Combining Statement of Activities.....	25
Notes to Financial Statements.....	26

### **Required Supplementary Information**

General Fund Budgetary Comparison Schedule.....	44
Major Special Revenue Funds Budgetary Comparison Schedule.....	45
Capital Projects Fund Budgetary Comparison Schedule.....	46

### **Major Governmental Funds**

General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	48
Major Street Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	52
Local Street Fund Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual.....	53
Brownfield Redevelopment Authority Fund Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual.....	54
Capital Projects Fund Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual.....	55

## **Combining and Individual Fund Financial Statements**

### **Nonmajor Governmental Funds**

Non-major Governmental Funds Combining Balance Sheet.....	58
Non-major Governmental Funds Combining Statement of Revenues, Expenditures And Changes in Fund Balance.....	59
Non-major Special Revenue Funds Combining Balance Sheet.....	60
Non-major Governmental Funds Combining Statement of Revenues, Expenditures And Changes in Fund Balance.....	61
Police Training Fund Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual.....	62
Non-major Debt Service Funds Combining Statement of Revenues, Expenditures And Changes In Fund Balance – Budget and Actual.....	63

### **Enterprise Funds**

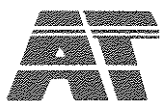
Sewer Fund Schedule of Revenues, Expenses and Changes In Net Assets – Budget and Actual.....	65
Water Fund Schedule of Revenues, Expenses and Changes In Net Assets – Budget and Actual.....	66
Marina Fund Schedule of Revenues, Expenses and Changes In Net Assets – Budget and Actual.....	67

### **Internal Service Funds**

All Internal Service Funds Combining Statement of Net Assets.....	69
All Internal Service Funds Combining Statement of Revenues, Expenses And Changes in Net Assets.....	70
Motor Pool Fund Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual.....	71
Municipal Building Authority Fund Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual.....	72

### **Compliance Supplements**

Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	74
Management Letter.....	76



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of the  
City Council, and City Manager  
City of Munising, Michigan 49862

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Munising, Michigan, as of and for the year ended June 30, 2007, which collectively comprise City's the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Munising, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Munising, Michigan at June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2007 on our consideration of City of Munising, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor, Members of the  
City Council and City Manager  
City of Munising, Michigan 49862

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 44 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Munising, Michigan's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 10, 2007

## City of Munising, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Munising's financial performance provides an overview of the City's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 13.

#### FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$800,558 as a result of this year's operations. Net assets of our business-type activities increased by \$207,326, or 2.9 percent, and net assets of our governmental activities increased by \$593,232, or 26.1 percent.
- During the year, the City had expenses for governmental activities that were \$2,244,270 and generated \$2,837,502 in general revenues and other program sources.
- The City's business-type activities had expenses of \$1,266,518 and generated \$1,473,844 in revenues.
- The general fund reported a net increase in fund balance of \$25,979.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

#### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is; "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and marina activities are reported here.
- *Component units* – The City includes four separate legal entities in its report – the Downtown Development Authority, the Munising Housing Commission, the Landfill Authority, and the Alger Parks and Recreation Department. Although legally separate, these "component units" are important because the City is financially accountable for them.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 11. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the Motor Pool Fund and Municipal Building Authority Fund.

### The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The City as a Whole

Table 1 provides a summary of the City's net assets as of June 30, 2007 and 2006.

Table 1 Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$1,500,293	\$1,001,247	\$1,414,901	\$1,222,061	\$2,915,194	\$2,223,308
Non-current Assets	3,396,767	3,339,153	6,589,064	6,648,933	9,985,831	9,988,086
Total Assets	<u>4,897,060</u>	<u>4,340,400</u>	<u>8,003,965</u>	<u>7,870,994</u>	<u>12,901,025</u>	<u>12,211,394</u>
Current Liabilities	285,406	257,761	99,173	91,972	384,579	349,733
Non-current Liabilities	1,741,311	1,805,528	627,554	709,110	2,368,865	2,514,638
Total Liabilities	<u>2,026,717</u>	<u>2,063,289</u>	<u>726,727</u>	<u>801,082</u>	<u>2,753,444</u>	<u>2,864,371</u>
Net Assets:						
Invested in capital assets, net of related debt	2,067,581	1,988,158	5,876,027	5,858,725	7,943,608	7,846,883
Restricted	46,252	44,209	196,771	76,973	243,023	121,182
Unrestricted	756,510	244,744	1,204,440	1,134,214	1,960,950	1,378,958
Total Net Assets	<u>\$2,870,343</u>	<u>\$2,277,111</u>	<u>\$7,277,238</u>	<u>\$7,069,912</u>	<u>\$10,147,581</u>	<u>\$9,347,023</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Net assets of the City's governmental activities stood at \$2,870,343. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$756,510.

The \$756,510 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$7,277,238. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	\$252,126	\$218,171	\$1,420,843	\$1,364,029	\$1,672,969	\$1,582,200
Operating grants and contributions	552,654	578,865	-	-	552,654	578,865
General Revenues:						
Property taxes	1,245,116	1,165,305	-	-	1,245,116	1,165,305
Unrestricted	294,932	302,797	-	-	294,932	302,797
Investment earnings	55,185	37,401	53,001	40,129	108,186	77,530
Miscellaneous and transfers	235,099	15,972	-	-	235,099	15,972
Extraordinary items	189,390	-	-	-	189,390	-
Total Revenues	<u>2,837,502</u>	<u>2,318,511</u>	<u>1,473,844</u>	<u>1,404,158</u>	<u>4,311,346</u>	<u>3,722,669</u>
Program Expenses:						
Legislative	14,096	12,916	-	-	14,096	12,916
General government	514,095	467,347	-	-	514,095	467,347
Public safety	433,256	425,019	-	-	433,256	425,019
Public works	1,036,679	942,179	-	-	1,036,679	942,179
Parks and recreation	170,134	147,321	-	-	170,134	147,321
Interest on long-term debt	76,010	74,549	-	-	76,010	74,549
Sewer	-	-	651,932	659,809	651,932	659,809
Water	-	-	497,045	462,211	497,045	462,211
Marina	-	-	117,541	125,228	117,541	125,228
Total Expenses	<u>2,244,270</u>	<u>2,069,331</u>	<u>1,266,518</u>	<u>1,247,248</u>	<u>3,510,788</u>	<u>3,316,579</u>
Increase (decrease) in net assets	593,232	249,180	207,326	156,910	800,558	406,090
Net assets, beginning	<u>2,277,111</u>	<u>2,027,931</u>	<u>3,069,912</u>	<u>6,913,002</u>	<u>9,347,023</u>	<u>8,940,933</u>
Net Assets, Ending	<u>\$2,870,343</u>	<u>\$2,277,111</u>	<u>\$7,277,238</u>	<u>\$7,069,912</u>	<u>\$10,147,581</u>	<u>\$9,347,023</u>

The City's total revenues were \$4,311,346. The total cost of all programs and services was \$3,510,788, leaving an increase in net assets of \$800,558. Our analysis below separately considers the operations of governmental and business-type activities:

### **Governmental Activities**

The increase in net assets is primarily attributable to the steadily increasing interest rate for investments, a significant decrease in General Government expenditures and modest increases in Property Taxes.

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety, and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

<b>Table 3</b>		
<b>Governmental Activities</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
General government	\$514,095	\$443,146
Public safety	433,256	417,401
Public works	1,036,679	467,896

### **Business-Type Activities**

Net Assets increased due to a modest increase in Charges for Services and investment earnings. Expenditure increases were minimal.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a *combined* fund balance of \$1,026,522, an increase of \$427,354 from the beginning of the year.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Commission revised the budget a few times. Significant revisions to the budget included an increase in the transfer to the Street Funds to cover increasing street repair and maintenance costs. These costs should be considerably decreased as street reconstruction commences with the proposed Water and Sewer Reconstruction project which is expected to be substantially completed in 2008 with final completion in 2009.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal 2007, the City had \$9,950,643 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 4  
Capital Assets at Year end  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$-	\$-	\$12,275	\$12,275	\$12,275	\$12,275
Construction in progress	28,136	28,136	620,272	394,507	648,408	422,643
Buildings and improvements	1,262,491	1,114,346	-	-	1,262,491	1,114,346
Equipment and furnishings	962,735	1,003,919	-	-	962,735	1,003,919
Infrastructure	1,117,145	1,156,492	-	-	1,117,145	1,156,492
Sewer plant and equipment	-	-	2,758,548	2,901,658	2,758,548	2,901,658
Water plant and equipment	-	-	2,467,388	2,558,419	2,467,388	2,558,419
Marina and Harbor Master Building	-	-	721,653	772,402	721,653	772,402
Total	<u>\$3,370,507</u>	<u>\$3,302,893</u>	<u>\$6,580,136</u>	<u>\$6,639,261</u>	<u>\$9,950,643</u>	<u>\$9,942,154</u>

In the 2007 fiscal year the City began construction on the proposed Sewer and Water Reconstruction Project.

## Debt

At year-end, the City had \$2,488,281 in bonds and notes outstanding as depicted in Table 5 below.

Table 5  
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$1,264,350	\$1,339,350	\$-	\$-	\$1,264,350	\$1,339,350
Revenue bonds	-	-	680,000	750,000	680,000	750,000
Contracts and Notes Payable	519,821	531,993	24,110	30,536	543,931	562,529
Totals	<u>\$1,784,171</u>	<u>\$1,871,343</u>	<u>\$704,110</u>	<u>\$780,536</u>	<u>\$2,488,281</u>	<u>\$2,651,879</u>

There was one new addition to debt for this year and further details on long-term debt can be found in Note H.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 – 2008 budget. One of those factors is the economy.

The City continues to look at several means to raise revenue in the face of escalating declines in state revenue sharing. The City is now on a course to work on actually lowering the tax rate and stabilizing the water and sewer rates. Although this goal appears to some as contrary to the funding dilemma, it is important to create an atmosphere of affordable opportunity for growth. The City needs to draw more business and residential growth. Through the use of long-term low interest loans and grants, the City is improving infrastructure and facilities with the intent of creating a desirable location to live and work. Updating will also have a large and positive impact on the historically high repair costs that the City has experienced in recent years. Operating costs are being reviewed for savings. Health coverage and gas/utility expenditures

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

are monitored and efficiency procedures are being investigated. Geographically the City has room to expand and the water/sewer utility can accommodate growth. The City will continue to work with State, Federal, Corporate and non-profit agencies to partner in the funding mechanisms needed.

Progress to date includes health care savings and implementation of water/sewer and street upgrades. Through cooperation with the three city collective bargaining units, the acceleration of health care costs have been considerably slowed through adoption of revised health plans. The City and bargaining units agreed to switch to cost saving HAS plans in 2006/2007 and revised the plan again during 2007/2008.

Four construction bids were awarded in November of 2007 for major repairs to our underground water and sewer distribution system, the renovation of the wastewater treatment plant, a new vacuum truck to clean underground lines and the repainting of our elevated water tank. The scope of these projects will reduce annual repair costs for the City and renovate the majority of the street surfaces in the City.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Munising, 101 W. Munising Avenue, Munising, Michigan, 49862.

**City of Munising, Michigan**

**STATEMENT OF NET ASSETS**

June 30, 2007

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,127,936	\$ 363,347	\$ 1,491,283	\$ 332,139
Cash and cash equivalents-reserved	127,999	-	127,999	4,292
Restricted assets	-	751,734	751,734	-
Receivables (net)	298,493	220,613	519,106	22,036
Investments	-	-	-	407,026
Primary government internal balances	(71,245)	71,245	-	-
Other current assets	17,110	7,962	25,072	7,696
<b>TOTAL CURRENT ASSETS</b>	<b>1,500,293</b>	<b>1,414,901</b>	<b>2,915,194</b>	<b>773,189</b>
Non-current assets:				
Long-term receivables	26,260	-	26,260	-
Unamortized bond issue costs		8,928	8,928	-
Capital assets:				
Land and construction in progress	28,136	632,547	660,683	-
Other capital assets	5,662,681	11,465,275	17,127,956	4,390,774
Accumulated depreciation	(2,320,310)	(5,517,686)	(7,837,996)	(2,616,916)
Total Capital Assets	3,370,507	6,580,136	9,950,643	1,773,858
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,396,767</b>	<b>6,589,064</b>	<b>9,985,831</b>	<b>1,773,858</b>
<b>TOTAL ASSETS</b>	<b>4,897,060</b>	<b>8,003,965</b>	<b>12,901,025</b>	<b>2,547,047</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	70,707	3,968	74,675	112,863
Accrued liabilities	26,386	6,631	33,017	61,009
Accrued sick and vacation leave	18,230	12,019	30,249	-
Current portion of bonds payable	70,000	70,000	140,000	-
Current portion of notes payable	77,531	6,555	84,086	-
Other current liabilities	22,552	-	22,552	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>285,406</b>	<b>99,173</b>	<b>384,579</b>	<b>173,872</b>
Non-current Liabilities:				
Compensated absences	104,671	-	104,671	-
Bonds payable	1,194,350	610,000	1,804,350	-
Long-term contracts and notes payable	442,290	17,554	459,844	-
Other	-	-	-	47,802
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,741,311</b>	<b>627,554</b>	<b>2,368,865</b>	<b>47,802</b>
<b>TOTAL LIABILITIES</b>	<b>2,026,717</b>	<b>726,727</b>	<b>2,753,444</b>	<b>221,674</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	2,067,581	5,876,027	7,943,608	1,773,858
Restricted for:				
Debt Service	-	76,973	76,973	-
Other activities	46,252	119,798	166,050	-
Unrestricted	756,510	1,204,440	1,960,950	551,515
<b>TOTAL NET ASSETS</b>	<b>\$ 2,870,343</b>	<b>\$ 7,277,238</b>	<b>\$ 10,147,581</b>	<b>\$ 2,325,373</b>

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2007

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
Legislative	\$ 14,096	\$ -	\$ -	\$ -	\$ (14,096)	\$ -	\$ (14,096)	\$ -
General government	514,095	70,949	-	-	(443,146)	-	(443,146)	-
Public safety	433,256	523	15,332	-	(417,401)	-	(417,401)	-
Public works	1,036,679	32,361	536,422	-	(467,896)	-	(467,896)	-
Parks and recreation	170,134	148,293	900	-	(20,941)	-	(20,941)	-
Interest on long-term debt	76,010	-	-	-	(76,010)	-	(76,010)	-
Total Governmental Activities	2,244,270	252,126	552,654	-	(1,439,490)	-	(1,439,490)	-
Business Type Activities:								
Sewer	651,932	785,292	-	-	-	133,360	133,360	-
Water	497,045	535,166	-	-	-	38,121	38,121	-
Marina	117,541	100,385	-	-	-	(17,156)	(17,156)	-
Total Business Type Activities	1,266,518	1,420,843	-	-	-	154,325	154,325	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,510,788</b>	<b>\$ 1,672,969</b>	<b>\$ 552,654</b>	<b>\$ -</b>	<b>(1,439,490)</b>	<b>154,325</b>	<b>(1,285,165)</b>	<b>-</b>
<b>Component Units:</b>								
Downtown Development Authority	134,002	-	-	-	-	-	-	(134,002)
Landfill Authority	10,655	10,081	-	-	-	-	-	(574)
Housing Commission	675,007	215,539	252,163	90,675	-	-	-	(116,630)
Alger Parks & Recreation Department	179,342	57,985	88,208	-	-	-	-	(33,149)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 999,006</b>	<b>\$ 283,605</b>	<b>\$ 340,371</b>	<b>\$ 90,675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(284,355)</b>
<b>General Revenues:</b>								
Taxes:								
Property taxes					1,245,116	-	1,245,116	465,539
Unrestricted intergovernmental sources					294,932	-	294,932	-
Interest and investment earnings					55,185	66,001	121,186	35,616
Miscellaneous					52,028	-	52,028	31,507
Extraordinary items:								
Centennial arena					189,390	-	189,390	-
Transfers:								
Business type activities					13,000	(13,000)	-	-
Component units					183,071	-	183,071	(183,071)
<b>TOTAL GENERAL REVENUES &amp; TRANSFERS</b>					<b>2,032,722</b>	<b>53,001</b>	<b>2,085,723</b>	<b>349,591</b>
<b>CHANGE IN NET ASSETS</b>					<b>593,232</b>	<b>207,326</b>	<b>800,558</b>	<b>65,236</b>
Net assets, beginning of year, as restated					2,277,111	7,069,912	9,347,023	2,260,137
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,870,343</b>	<b>\$ 7,277,238</b>	<b>\$ 10,147,581</b>	<b>\$ 2,325,373</b>				

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

June 30, 2007

	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Local Street Fund</b>	<b>Brownfield Redevelopment Authority</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 70,082	\$ -	\$ 830	\$ -	\$ 636,681	\$ 48,815	\$ 756,408
Cash and cash equivalents-reserved	118,918	-	-	-	9,081	-	127,999
Accounts receivable, net	31,233	-	-	-	-	-	31,233
Other receivables	83,309	-	-	-	-	-	83,309
Due from other governments	88,553	25,758	8,500	-	-	-	122,811
Due from other funds	67,691	-	-	-	-	-	67,691
Advances to other funds	-	-	-	-	-	-	-
Other assets	15,085	-	-	-	-	-	15,085
<b>TOTAL ASSETS</b>	<b>\$ 474,871</b>	<b>\$ 25,758</b>	<b>\$ 9,330</b>	<b>\$ -</b>	<b>\$ 645,762</b>	<b>\$ 48,815</b>	<b>\$ 1,204,536</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Cash overdraft	\$ -	\$ 1,401	\$ -	\$ 3,750	\$ -	\$ -	\$ 5,151
Accounts payable	11,477	-	-	1,241	37,078	-	49,796
Accrued liabilities	11,364	-	-	-	-	-	11,364
Accrued sick and vacation leave	9,323	-	-	-	-	-	9,323
Due to other funds	4,828	-	-	75,000	-	-	79,828
Due to others	22,552	-	-	-	-	-	22,552
<b>TOTAL LIABILITIES</b>	<b>59,544</b>	<b>1,401</b>	<b>-</b>	<b>79,991</b>	<b>37,078</b>	<b>-</b>	<b>178,014</b>
<b>FUND BALANCE:</b>							
Reserved for:							
Capital outlay	-	-	-	-	-	-	-
Other	5,770	-	-	-	-	40,482	46,252
Unreserved, reported in:							
General Fund	409,557	-	-	-	-	-	409,557
Capital Projects Funds	-	-	-	-	608,684	-	608,684
Special Revenue Funds	-	24,357	9,330	(79,991)	-	8,333	(37,971)
<b>TOTAL FUND BALANCE</b>	<b>415,327</b>	<b>24,357</b>	<b>9,330</b>	<b>(79,991)</b>	<b>608,684</b>	<b>48,815</b>	<b>1,026,522</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 474,871</b>	<b>\$ 25,758</b>	<b>\$ 9,330</b>	<b>\$ -</b>	<b>\$ 645,762</b>	<b>\$ 48,815</b>	<b>\$ 1,204,536</b>

The accompanying notes are an integral part of these financial statements.



City of Munising, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

June 30, 2007

**Total Fund Balances for Governmental Funds** \$ 1,026,522

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes capital assets of internal service funds). 3,370,507

Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.

Current assets	\$ 378,704	
Long-term receivables	26,260	
Current liabilities (other than debt)	<u>(27,786)</u>	
		377,178

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 70,000	
Current portion of notes and contracts payable	77,531	
Accrued interest on bonds	15,022	
Compensated absences	104,671	
Long-term bonds payable	1,194,350	
Long-term contracts and notes payable	<u>442,290</u>	
		(1,903,864)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 2,870,343

The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2007

	General Fund	Major Street Fund	Local Street Fund	Brownfield Redevelopment Authority	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 1,233,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,233,259
Licenses and permits	32,549	-	-	-	-	-	32,549
Intergovernmental revenues	294,932	287,124	108,100	-	-	1,155	691,311
Charges for services	177,445	-	-	-	-	-	177,445
Fines and forfeits	523	-	-	-	-	-	523
Interest income	52,525	-	4	613	-	2,043	55,185
Federal sources	-	-	-	141,198	-	-	141,198
Other revenues	113,090	200	131	-	-	7,150	120,571
<b>TOTAL REVENUES</b>	<b>1,904,323</b>	<b>287,324</b>	<b>108,235</b>	<b>141,811</b>	<b>-</b>	<b>10,348</b>	<b>2,452,041</b>
<b>EXPENDITURES:</b>							
Current operations:							
Legislative	14,096	-	-	-	-	-	14,096
General government	485,146	-	-	-	-	-	485,146
Public safety	429,008	-	-	-	-	4,248	433,256
Public works	321,665	242,252	229,959	196,620	22,340	-	1,012,836
Parks and recreation	159,897	-	-	-	-	-	159,897
Debt service							
Principal retirement	30,000	45,363	-	-	-	59,924	135,287
Interest and fiscal charges	24,198	5,352	-	-	-	48,302	77,852
<b>TOTAL EXPENDITURES</b>	<b>1,464,010</b>	<b>292,967</b>	<b>229,959</b>	<b>196,620</b>	<b>22,340</b>	<b>112,474</b>	<b>2,318,370</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>440,313</b>	<b>(5,643)</b>	<b>(121,724)</b>	<b>(54,809)</b>	<b>(22,340)</b>	<b>(102,126)</b>	<b>133,671</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from borrowing	-	-	-	-	-	-	-
Transfers in	48,000	30,000	131,054	-	438,737	108,226	756,017
Transfers out	(462,334)	-	-	-	-	-	(462,334)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(414,334)</b>	<b>30,000</b>	<b>131,054</b>	<b>-</b>	<b>438,737</b>	<b>108,226</b>	<b>293,683</b>
<b>CHANGE IN FUND BALANCE</b>	<b>25,979</b>	<b>24,357</b>	<b>9,330</b>	<b>(54,809)</b>	<b>416,397</b>	<b>6,100</b>	<b>427,354</b>
Fund balance, beginning of year	389,348	-	-	(25,182)	192,287	42,715	599,168
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 415,327</b>	<b>\$ 24,357</b>	<b>\$ 9,330</b>	<b>\$ (79,991)</b>	<b>\$ 608,684</b>	<b>\$ 48,815</b>	<b>\$ 1,026,522</b>

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** **\$ 427,354**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. Includes Internal Service Funds depreciation expense of \$210,556.

Capital outlays	\$ -	
Depreciation expense	<u>(53,335)</u>	(53,335)

Net book value of Centennial Arena assets not previously recorded. 189,390

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 135,287

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. -

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,842

Some expenses reported in the statement of activities, such as compensated Long-term bonds payable are not reported as expenditures in governmental funds. (25,199)

Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of depreciation expense.

Change in net assets	(82,107)	
Capital contributions	<u>-</u>	(82,107)

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>593,232</u></b>
--	-----------	-----------------------

The accompanying notes are an integral part of these financial statements.

## City of Munising, Michigan

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

June 30, 2007

	Business- Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ -	\$ 140,167	\$ 228,014	\$ 368,181	\$ 376,679
Accounts receivable	135,350	92,333	-	227,683	-
Allowance for uncollectible accounts	(5,383)	(2,391)	-	(7,774)	-
Due from other governmental units	704	-	-	704	-
Due from other funds	40,910	137,142	-	178,052	-
Prepaid expenses	5,145	2,817	-	7,962	2,025
Unamortized bond issuance costs	-	8,928	-	8,928	-
<b>TOTAL CURRENT ASSETS</b>	<b>176,726</b>	<b>378,996</b>	<b>228,014</b>	<b>783,736</b>	<b>378,704</b>
Restricted Assets:					
Construction	540,862	119,798	-	660,660	-
Debt retirement	-	71,853	-	71,853	-
Water System Reserve	-	5,120	-	5,120	-
Funded depreciation	-	-	14,101	14,101	-
<b>TOTAL RESTRICTED ASSETS</b>	<b>540,862</b>	<b>196,771</b>	<b>14,101</b>	<b>751,734</b>	<b>-</b>
Non-current Assets:					
Long-term receivables	-	-	-	-	26,260
Land	-	12,275	-	12,275	-
Construction in progress	415,996	204,276	-	620,272	-
Capital assets	5,253,018	5,081,968	1,130,289	11,465,275	3,554,767
Accumulated depreciation	(2,494,470)	(2,614,580)	(408,636)	(5,517,686)	(1,534,943)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,174,544</b>	<b>2,683,939</b>	<b>721,653</b>	<b>6,580,136</b>	<b>2,046,084</b>
<b>TOTAL ASSETS</b>	<b>3,892,132</b>	<b>3,259,706</b>	<b>963,768</b>	<b>8,115,606</b>	<b>2,424,788</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Cash overdraft	4,834	-	-	4,834	-
Accounts payable	2,559	1,409	-	3,968	18,879
Accrued salaries	3,948	1,820	863	6,631	-
Accrued sick and vacation leave	6,902	5,117	-	12,019	8,907
Due to other funds	101,037	3,570	2,200	106,807	-
Current portion of long-term debt	41,555	35,000	-	76,555	15,015
<b>TOTAL CURRENT LIABILITIES</b>	<b>160,835</b>	<b>46,916</b>	<b>3,063</b>	<b>210,814</b>	<b>42,801</b>
Non-current Liabilities:					
Advances from other funds	-	-	-	-	-
Bonds payable	135,000	475,000	-	610,000	-
Notes payable	17,554	-	-	17,554	77,100
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>152,554</b>	<b>475,000</b>	<b>-</b>	<b>627,554</b>	<b>77,100</b>
<b>TOTAL LIABILITIES</b>	<b>313,389</b>	<b>521,916</b>	<b>3,063</b>	<b>838,368</b>	<b>119,901</b>
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	2,980,435	2,173,939	721,653	5,876,027	1,927,709
Net Assets:					
Restricted for construction	-	119,798	-	119,798	-
Restricted for debt service	-	76,973	-	76,973	-
Unrestricted	598,308	367,080	239,052	1,204,440	377,178
<b>TOTAL NET ASSETS</b>	<b>\$ 3,578,743</b>	<b>\$ 2,737,790</b>	<b>\$ 960,705</b>	<b>\$ 7,277,238</b>	<b>\$ 2,304,887</b>

The accompanying notes are an integral part of these financial statements.

## City of Munising, Michigan

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2007

	Business- Type Activities: Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Marina Fund	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>					
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	735,201	522,213	99,313	1,356,727	-
Rents and royalties	-	-	-	-	458,876
Other operating revenue	50,091	12,953	1,072	64,116	6,030
<b>TOTAL OPERATING REVENUES</b>	<b>785,292</b>	<b>535,166</b>	<b>100,385</b>	<b>1,420,843</b>	<b>464,906</b>
<b>OPERATING EXPENSES:</b>					
Transmission and distribution	-	345,670	-	345,670	-
Sewer maintenance/treatment	466,700	-	-	466,700	-
Personnel services	-	-	-	-	92,980
Services and supplies	-	-	-	-	86,092
Administrative and general	32,637	33,335	60,055	126,027	87,535
Repairs and maintenance	-	-	6,737	6,737	32,607
Depreciation	143,110	91,775	50,749	285,634	210,556
<b>TOTAL OPERATING EXPENSES</b>	<b>642,447</b>	<b>470,780</b>	<b>117,541</b>	<b>1,230,768</b>	<b>509,770</b>
<b>OPERATING INCOME (LOSS)</b>	<b>142,845</b>	<b>64,386</b>	<b>(17,156)</b>	<b>190,075</b>	<b>(44,864)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest income	30,399	22,625	12,977	66,001	22,597
Gain (loss) on sale of assets	-	-	-	-	38,343
Federal grants	-	-	-	-	1,400
Interest expense	(9,485)	(26,265)	-	(35,750)	(1,971)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>20,914</b>	<b>(3,640)</b>	<b>12,977</b>	<b>30,251</b>	<b>60,369</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>163,759</b>	<b>60,746</b>	<b>(4,179)</b>	<b>220,326</b>	<b>15,505</b>
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers (out)	(6,500)	(6,500)	-	(13,000)	(97,612)
<b>CHANGE IN NET ASSETS</b>	<b>157,259</b>	<b>54,246</b>	<b>(4,179)</b>	<b>207,326</b>	<b>(82,107)</b>
Net assets, beginning of year	3,421,484	2,683,544	964,884	7,069,912	2,386,994
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,578,743</b>	<b>\$ 2,737,790</b>	<b>\$ 960,705</b>	<b>\$ 7,277,238</b>	<b>\$ 2,304,887</b>

The accompanying notes are an integral part of these financial statements.

## City of Munising, Michigan

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2007

	Business-Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from fees and charges for services	\$ 743,299	\$ 517,396	\$ 130,000	\$ 1,390,695	\$ 468,876
Other operating revenues	50,091	12,953	1,072	64,116	6,030
Cash payments to employees for services	(235,990)	(191,543)	(15,679)	(443,212)	(74,384)
Cash payments for payroll taxes	(59,119)	(47,815)	(3,865)	(110,799)	(18,596)
Cash payments to suppliers for goods and services	(208,069)	(141,478)	(47,466)	(397,013)	(189,380)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>290,212</b>	<b>149,513</b>	<b>64,062</b>	<b>503,787</b>	<b>192,546</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Increase (decrease) in due to other funds	57,900	(99,090)	-	(41,190)	-
Payments from (to) other funds	(6,500)	(6,500)	-	(13,000)	(97,612)
Payments from federal sources	-	-	-	-	1,400
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>51,400</b>	<b>(105,590)</b>	<b>-</b>	<b>(54,190)</b>	<b>(96,212)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(183,888)	(41,877)	-	(225,765)	(189,813)
Net book value of asset disposals	-	-	-	-	47,698
Gain (loss) on sale of fixed assets	-	-	-	-	38,343
Payments received on notes receivable	-	-	-	-	48,115
Principal payments on revenue bonds and notes payable	(41,427)	(35,000)	-	(76,427)	-
Interest paid on revenue bonds and notes payable	(9,485)	(26,265)	-	(35,750)	(1,971)
<b>NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(234,800)</b>	<b>(103,142)</b>	<b>-</b>	<b>(337,942)</b>	<b>(57,628)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	30,399	22,625	12,977	66,001	22,597
(Increase) decrease in restricted assets:					
Construction	(113,810)	(40,644)	-	(154,454)	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(83,411)</b>	<b>(18,019)</b>	<b>12,977</b>	<b>(88,453)</b>	<b>22,597</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>23,401</b>	<b>(77,238)</b>	<b>77,039</b>	<b>23,202</b>	<b>61,303</b>
Cash and cash equivalents, beginning of year	(28,235)	217,405	150,975	340,145	315,376
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ (4,834)</b>	<b>\$ 140,167</b>	<b>\$ 228,014</b>	<b>\$ 363,347</b>	<b>\$ 376,679</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 142,845	\$ 64,386	\$ (17,156)	\$ 190,075	\$ (44,864)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	143,110	91,031	50,749	284,890	210,556
Unamortized bond issuance costs	-	744	-	744	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable - net	8,098	(4,817)	30,687	33,968	10,000
(Increase) decrease in prepaid expenses	(5,145)	(2,817)	-	(7,962)	(2,025)
Increase (decrease) in accounts payable	816	1,270	-	2,086	18,879
Increase (decrease) in accrued salaries	488	(284)	(218)	(14)	-
<b>NET ADJUSTMENTS</b>	<b>147,367</b>	<b>85,127</b>	<b>81,218</b>	<b>313,712</b>	<b>237,410</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 290,212</b>	<b>\$ 149,513</b>	<b>\$ 64,062</b>	<b>\$ 503,787</b>	<b>\$ 192,546</b>

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2007

	<u>Private-Purpose Trust Fund Substandard Housing</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 59,842	\$ 53,300
Due from others		
Due from other funds	<u>2,032</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>61,874</u>	<u>\$ 53,300</u>
<b>LIABILITIES</b>		
Due to others	-	\$ 53,300
Due to other funds	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 53,300</u>
<b>NET ASSETS</b>		
Held in trust for individuals, organizations, and other governments	<u>61,874</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 61,874</u>	

The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Fiscal Year Ended June 30, 2007

	<u>Private-Purpose Trust Fund Substandard Housing</u>
<b>ADDITIONS:</b>	
Contributions:	
Gifts, bequests and endowments	<u>\$ -</u>
Total Contributions	<u>-</u>
Investment Income:	
Interest and dividends	<u>2,760</u>
Net Investment Income (Loss)	<u>2,760</u>
<b>TOTAL ADDITIONS (DEDUCTIONS)</b>	<u>2,760</u>
<b>DEDUCTIONS:</b>	
Payments in accordance with trust agreements	<u>-</u>
<b>TOTAL DEDUCTIONS</b>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,760</u>
Net assets, beginning of year	<u>59,114</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 61,874</u></u>

The accompanying notes are an integral part of these financial statements.



**City of Munising, Michigan**

**COMPONENT UNITS**

**COMBINING STATEMENT OF NET ASSETS**

June 30, 2007

	<b>Downtown Development Authority</b>	<b>Landfill Authority</b>	<b>Housing Commission</b>	<b>Alger Parks &amp; Recreation Department</b>	<b>Total</b>
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 263,025	\$ 9,163	\$ 35,568	\$ 24,383	\$ 332,139
Cash and cash equivalents-reserved	3,198	1,094	-	-	4,292
Receivables, net	-	1,412	20,624	-	22,036
Investments	58,475	-	348,551	-	407,026
Prepaid expenses	5,000	-	2,186	510	7,696
<b>TOTAL CURRENT ASSETS</b>	<b>329,698</b>	<b>11,669</b>	<b>406,929</b>	<b>24,893</b>	<b>773,189</b>
Non-current Assets:					
Capital assets	293,359	-	4,097,415	-	4,390,774
Accumulated depreciation	(31,200)	-	(2,585,716)	-	(2,616,916)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>262,159</b>	<b>-</b>	<b>1,511,699</b>	<b>-</b>	<b>1,773,858</b>
<b>TOTAL ASSETS</b>	<b>591,857</b>	<b>11,669</b>	<b>1,918,628</b>	<b>24,893</b>	<b>2,547,047</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	78,148	-	33,969	746	112,863
Accrued liabilities	-	-	59,023	1,986	61,009
Current portion of bonds payable	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>78,148</b>	<b>-</b>	<b>92,992</b>	<b>2,732</b>	<b>173,872</b>
Non-current Liabilities:					
Bonds payable	-	-	-	-	-
Other liabilities	-	-	47,802	-	47,802
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>47,802</b>	<b>-</b>	<b>47,802</b>
<b>TOTAL LIABILITIES</b>	<b>78,148</b>	<b>-</b>	<b>140,794</b>	<b>2,732</b>	<b>221,674</b>
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	262,159	-	1,511,699	-	1,773,858
Unrestricted	251,550	11,669	266,135	22,161	551,515
<b>TOTAL NET ASSETS</b>	<b>\$ 513,709</b>	<b>\$ 11,669</b>	<b>\$ 1,777,834</b>	<b>\$ 22,161</b>	<b>\$ 2,325,373</b>

The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan  
 COMPONENT UNITS  
 COMBINING STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended June 30, 2007

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Landfill Authority	Housing Commission	Alger Parks & Recreation Department	Total
Downtown Development Authority Operations	\$ 134,002	\$ -	\$ -	\$ -	\$ (134,002)	\$ -	\$ -	\$ -	(134,002)
Landfill Authority Operations	10,655	10,081	-	-	-	(574)	-	-	(574)
Housing Commission Operations	675,007	215,539	252,163	90,675	-	-	(116,630)	-	(116,630)
Alger Parks and Recreation Department Operations	179,342	57,985	88,208	-	-	-	-	(33,149)	(33,149)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 999,006</b>	<b>\$ 283,605</b>	<b>\$ 340,371</b>	<b>\$ 90,675</b>	<b>(134,002)</b>	<b>(574)</b>	<b>(116,630)</b>	<b>(33,149)</b>	<b>(284,355)</b>
General Revenues:									
Property taxes					465,539	-	-	-	465,539
Interest and investment earnings					18,222	533	15,271	1,590	35,616
Miscellaneous					15,827	-	15,680	-	31,507
Transfers					(206,000)	-	-	22,929	(183,071)
<b>TOTAL GENERAL REVENUES</b>					<b>293,588</b>	<b>533</b>	<b>30,951</b>	<b>24,519</b>	<b>349,591</b>
<b>CHANGE IN NET ASSETS</b>					<b>159,586</b>	<b>(41)</b>	<b>(85,679)</b>	<b>(8,630)</b>	<b>65,236</b>
Net assets, beginning of year					354,123	40,505	1,863,513	30,791	2,288,932
Prior period adjustment					-	(28,795)	-	-	(28,795)
Net assets, beginning of year, as restated					354,123	11,710	1,863,513	30,791	2,260,137
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 513,709</b>	<b>\$ 11,669</b>	<b>\$ 1,777,834</b>	<b>\$ 22,161</b>	<b>\$ 2,325,373</b>

The accompanying notes are an integral part of these financial statements.

# City of Munising, Michigan

## Notes to Financial Statements

June 30, 2007

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the City of Munising conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

#### Description

The City was chartered in 1915 under Public Act 279 of 1909, as amended, as a home rule city and is located in Alger County, Michigan. The City operates under a Commission (5 member) - Manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Munising (the primary government) and its component units. The component units discussed in Note B are included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

### **BASIS OF PRESENTATION**

#### Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's water, sewer and marina services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

#### *Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Debt Service Funds* – Debt Service Funds are used to account for the payment of interest and principal on long-term debt obligations.
- *Permanent Funds* – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

#### *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- *Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- *Internal Service Funds* - Internal Service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis.

### *Fiduciary Funds*

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

### *Major Funds*

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Major Street Fund** accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.
- The **Brownfield Redevelopment Authority Fund** accounts for the financial resources to be used for the cleansing of unused, contaminated property for the purpose of creating active, taxable property.
- The **Capital Projects Fund** accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City reports the following major proprietary funds:

- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.
- The **Marina Fund** accounts for the management of the City's marina including billing, maintenance and construction.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

### BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds and private-purpose trust funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

## **FINANCIAL STATEMENT AMOUNTS**

### **Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the second Monday in April, the City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year commencing July 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of the City Charter.
4. The City Commission adopts the budget by functional categories in the general fund and by total fund level for special revenue funds. Any transfers of appropriations between functions must be approved by the City Commission. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### Inventory

Inventory costs are recorded as expenditures when incurred.

### Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Other costs incurred for repairs and maintenance are expenses as incurred.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Depreciation Life – Years
Buildings and improvements	40 – 50
Land improvements	20 – 30
Plants, hydrants and tank	50 – 60
Water, sewer mains and meters	10 – 50
Equipment and Vehicles	5 – 15
Infrastructure	20 – 50

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to July 1, 2003.

### Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

### Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied not later than July 1 and are payable by August 20 without penalty.

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Munising because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

### Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Noncurrent portions of long-term interfund loans receivable are equally offset by a fund balance reserve account which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

### Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES:

### Discretely Presented Component Units

The component unit column in the Statement of Net Assets includes the financial data for the Downtown Development Authority/TIF District, the Landfill Authority, the Munising Housing Commission and the Alger Parks and Recreation Department. They are reported in a separate column to emphasize that they are legally separate from the City. The purpose of the Downtown Development Authority/TIF entity is to foster development of the Downtown Business District. The purpose of the Landfill Authority is to control revenues and incur expenditures in connection with the Munising Landfill Closure. The purpose of the Munising Housing Commission is to provide low income housing programs to City residents. The purpose of the Alger Parks and Recreation Department is to provide a full-time, year-round, broad based recreation program to the residents of the City and surrounding townships.

The presentation of the financial statements of the Downtown Development Authority/TIF district, the Landfill Authority, and the Alger Parks and Recreation Department are complete, and there is no separately issued report for these entities.

A complete financial statement for the Munising Housing Commission can be obtained directly from the administrative office at 200 City Park Drive OFC, Munising, Michigan, 49862.

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of Munising Public Schools are not included in the financial statements of the City.

## NOTE C – DEPOSITS AND INVESTMENTS:

The composition of cash and equivalents reported on the statement of net assets are as follows:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and equivalents	\$1,491,283	\$355,386	\$113,142	\$1,959,811
Cash – reserved	127,999	4,292	-	132,291
Restricted assets	751,734	-	-	751,734
TOTALS	<u>\$2,371,016</u>	<u>\$359,678</u>	<u>\$113,142</u>	<u>\$2,843,836</u>
A summary of deposits by type are:				
Cash in demand accounts	\$22,552	\$-	\$-	\$22,552
Cash in savings accounts	2,348,314	359,578	113,081	2,820,973
Petty cash	150	100	61	311
TOTAL DEPOSITS	<u>\$2,371,016</u>	<u>\$359,678</u>	<u>\$113,142</u>	<u>\$2,843,836</u>

## **NOTE C – DEPOSITS AND INVESTMENTS (Continued):**

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. The carrying amount of the City's deposits with financial institutions was \$2,843,836 and the bank balance was \$2,861,272. Of the bank balance, \$240,000 or approximately 8.4% was covered by federal depository insurance according to FDIC regulations.

### Investments

As of June 30, 2007, the City had no investments.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The City has no investment policy that would further limit its investment choices.

## **NOTE D – RESTRICTED ASSETS:**

### General Fund

*Reserved Cash* – The account represents the unspent portion of the 1996 General Obligation Limited Tax Bonds, cash collected from property taxes for street construction, and other miscellaneous reserves. The purpose of the bond issue is to fund the City's portion of the costs for closure and post closure care of the local landfill. The bond reserve balance as of June 30, 2007 is \$87,436.

The street construction reserve balance as of June 30, 2007 is \$8,930 and other miscellaneous reserve balance is \$22,552.

### Capital Projects Fund

*Reserved Cash* – The account represents the unspent portion of the 2005 General Obligation Limited Tax Bonds for Department of Public Works Facility renovation. The reserve balance as of June 30, 2007 is \$9,081.

## NOTE D – RESTRICTED ASSETS (Continued):

### Sewer Fund

*Construction* - This account represents the cash collected from utility users to fund the infrastructure repairs on the sewer system as mandated by the Department of Environmental Quality. The June 30, 2007 balance is \$540,862.

### Water Fund

*Construction* - This account represents the cash collected from utility users to fund the infrastructure repairs on the water system. The June 30, 2007 balance is \$119,798.

Under ordinance 1999-01, which authorized the issuance of the Water Supply System Revenue Refunding Bonds, the City is required to maintain the following cash reserves in the Water Fund:

*Bond Interest and Redemption Fund* - Money in this account is reserved for the current years principal and interest payments on the Water Supply System Revenue bonds. The June 30, 2007 balance is \$71,853.

*Water System Reserve* - This reserve was established to accumulate money solely for the purpose of making principal and interest payments in the event of default by the City. The June 30, 2007 balance is \$5,120.

### Marina Fund

*Funded Depreciation* - This account was established to reserve cash in an amount equal to the yearly depreciation expense for the purpose of funding future asset purchases. The June 30, 2007 balance is \$14,101.

## NOTE E – INTERFUND RECEIVABLES AND PAYABLES:

The City reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		Due From Other Funds						
Due To Other Funds		General	Brownfield	Sewer	Water	Marina	DDA	Total Due To Other Funds
	General	\$-	\$-	\$-	\$3,570	\$2,200	\$61,921	\$67,691
	Sewer	-	40,910	-	-	-	-	40,910
	Water	2,015	34,090	101,037	-	-	-	137,142
	Substandard Housing	2,032	-	-	-	-	-	2,032
	Tax Collection	781	-	-	-	-	16,227	17,008
	Total Due From Other Funds	\$4,828	\$75,000	\$101,037	\$3,570	\$2,200	\$78,148	\$264,783

**NOTE E – INTERFUND RECEIVABLES AND PAYABLES (Continued):**

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE F – CAPITAL ASSETS:**

A summary of changes in governmental activities capital assets including internal service funds capital assets is as follows:

	Balance at 07/01/06	Additions	Disposals	Other Adjustments	Balance at 6/30/07
Capital assets not being depreciated:					
Construction in progress	\$28,136	\$-	\$-	\$-	\$28,136
Capital assets being depreciated:					
Land improvements	32,000	-	-	-	32,000
Buildings and improvements	1,576,303	-	-	409,490	1,985,793
Infrastructure	1,180,424	-	-	-	1,180,424
Equipment and vehicles	2,420,416	189,813	(145,765)	-	2,464,464
Total Capital Assets	<u>5,237,279</u>	<u>189,813</u>	<u>(145,765)</u>	<u>409,490</u>	<u>5,690,817</u>
Less accumulated depreciation:					
Land improvements	32,000	-	-	-	32,000
Buildings and improvements	461,957	41,245	-	220,100	723,302
Infrastructure	23,932	39,347	-	-	63,279
Equipment and vehicles	1,416,497	183,299	(98,067)	-	1,501,729
Total Accumulated Depreciation	<u>1,934,386</u>	<u>263,891</u>	<u>(98,067)</u>	<u>220,100</u>	<u>2,320,310</u>
Capital Assets, net	<u>\$3,302,893</u>	<u>\$(74,078)</u>	<u>\$(47,698)</u>	<u>\$189,390</u>	<u>\$3,370,507</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
General government	\$53,335
Internal service funds charged to above activities	210,556
Total Depreciation Expense – Governmental Activities	<u>\$263,891</u>

“Other adjustments” represents the recording of the Centennial Arena – see Footnote O.

A summary of changes in business-type activities capital assets is as follows:

	Balance at 07/01/06	Additions	Disposals	Balance at 6/30/07
Capital assets not being depreciated:				
Land	\$12,275	\$-	\$-	\$12,275
Construction in progress	394,507	225,765	-	620,272
Capital assets being depreciated:				
Sewer plant and equipment	5,253,018	-	-	5,253,018
Water plant and equipment	5,081,968	-	-	5,081,968
Marina and Harbor Master building	1,130,289	-	-	1,130,289
Total Capital Assets	<u>\$11,872,057</u>	<u>\$225,765</u>	<u>\$-</u>	<u>\$12,097,822</u>

## NOTE F – CAPITAL ASSETS (Continued):

Less accumulated depreciation:

Sewer plant and equipment	\$2,351,360	\$143,110	\$-	\$2,494,470
Water plant and equipment	2,523,549	91,031	-	2,614,580
Marina and Harbor Master building	357,887	50,749	-	408,636
Total Accumulated Depreciation	<u>5,232,796</u>	<u>284,890</u>	<u>-</u>	<u>5,517,686</u>
Capital Assets, net	<u>\$6,639,261</u>	<u>\$(59,125)</u>	<u>\$-</u>	<u>\$6,580,136</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:

Sewer system	\$143,110
Water system	91,031
Marina	<u>50,749</u>

Total Depreciation Expense – Business-Type Activities \$284,890

## NOTE G – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The interfund transfers for the year are as follows:

Transfers Out To Other Funds								
	General	Sewer	Water	Municipal Building	Motor Pool	DDA	Parks & Rec.	Total Transfers In
General	\$-	\$6,500	\$6,500	\$-	\$-	\$30,000	\$5,000	\$48,000
Major Street	30,000	-	-	-	-	-	-	30,000
Local Street	131,054	-	-	-	-	-	-	131,054
Building Const.	-	-	-	49,610	-	-	-	49,610
Debt Service	-	-	-	-	58,616	-	-	58,616
Road Const.	-	-	-	-	-	176,000	-	438,737
Capital Projects	262,737	-	-	-	-	-	-	49,610
Municipal Bldg	10,614	-	-	-	38,996	-	-	27,929
Parks & Rec.	27,929	-	-	-	-	-	-	
Total Transfers								
Out	<u>\$462,334</u>	<u>\$6,500</u>	<u>\$6,500</u>	<u>\$49,610</u>	<u>\$97,612</u>	<u>\$206,000</u>	<u>\$5,000</u>	<u>\$833,556</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE H – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2007:

Description	Balance July 1	Additions	Reductions	Balance June 30
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
State Infrastructure Bank Note Payable, payable in seven annual installments of \$16,627 and bearing interest of 4.00%	\$31,608	-	15,363	16,245
Transportation Fund Bonds; 1994D issue maturing serially to 2008 in annual amounts of \$5,000 to \$10,000 and bearing interest from 5.35% to 8.00%	15,000	-	10,000	5,000
Transportation Fund Bonds, 1993C issue maturing serially to 2008 in annual variable amounts and bearing interest from 2.8% to 5.8%	65,000	-	20,000	45,000
1996 General Obligation Limited Tax Bonds maturing serially to 2017 in annual amounts of \$25,000 to \$55,000 and bearing interest from 4.95% to 5.75%	445,000	-	30,000	415,000
State Infrastructure Bank Note Payable, payable in ten annual installments of \$58,615 and bearing interest of 3. %	456,385	-	44,924	411,461
2005 General Obligation Limited Tax Bonds maturing serially to 2035 in annual amounts of \$15,000 to \$48,350 and bearing interest of 4.25%	814,350	-	15,000	799,350
1999-2000 Fire truck loan payable bearing interest of 4.75%	44,000	-	5,000	39,000
2006-2007 Wheel loader loan payable bearing interest of 4.50%	-	53,115	-	53,115
Subtotal	1,871,343	53,115	140,287	1,784,171
Accrued Sick & Vacation	79,472	25,199	-	104,671
TOTAL GOVERNMENTAL ACTIVITIES	1,950,815	78,314	140,287	1,888,842
BUSINESS-TYPE ACTIVITIES:				
1991 Sewage Disposal System Revenue Bonds maturing serially to 2010 in annual amounts of \$10,000 to \$50,000 and bearing interest of 6.125%	205,000	-	35,000	170,000
1999 Water Supply system Revenue Refunding Bonds maturing serially to 2019 in annual amounts of \$25,000 to \$50,000 and bearing interest of 4.81%	545,000	-	35,000	510,000
Northern Lights Revolving Loan payable bearing interest rate of 2.00%	30,536	-	6,426	24,110
TOTAL BUSINESS-TYPE ACTIVITIES	780,536	-	76,426	704,110
TOTAL PRIMARY GOVERNMENT	2,731,351	78,314	216,713	2,592,952
DISCRETELY PRESENTED COMPONENT UNITS:				
1993 Downtown Development General Obligation Bonds maturing serially to 2007 in annual amounts of \$10,000 to \$100,000 and bearing interest of 3.25% to 5.75%	100,000	-	100,000	-
TOTAL DISCRETELY PRESENTED COMPONENT UNITS	100,000	-	100,000	-
TOTAL REPORTING ENTITY	\$2,831,351	\$78,314	\$316,713	\$2,592,592

## NOTE H – LONG-TERM DEBT (Continued):

### Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2007 (exclusive of accrued sick and vacation) for the City are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$147,531	\$75,302	\$76,556	\$36,238	\$224,087	\$111,540
2009	138,720	69,048	81,688	32,248	220,408	101,296
2010	116,611	63,691	91,823	27,074	208,434	90,765
2011	119,568	5,880	94,043	21,702	213,611	27,582
2012	127,591	53,788	40,000	18,022	167,591	71,810
2013-2017	518,800	191,059	220,000	59,758	738,800	250,817
2018-2022	125,000	120,560	100,000	7,800	225,000	128,360
2023-2027	158,000	91,322	-	-	158,000	91,322
2028-2032	194,000	54,768	-	-	194,000	54,768
2033-2037	138,350	11,944	-	-	138,350	11,944
Totals	<u>\$1,784,171</u>	<u>\$790,362</u>	<u>704,110</u>	<u>\$202,842</u>	<u>\$2,488,281</u>	<u>\$940,204</u>

Fiscal Year	Discrete Component Unit		Total Reporting Entity	
	Principal	Interest	Principal	Interest
2008	\$-	\$-	\$224,087	\$111,540
2009	-	-	220,408	101,296
2010	-	-	208,434	90,765
2011	-	-	213,611	27,582
2012	-	-	167,591	71,810
2013-2017	-	-	738,800	250,817
2018-2022	-	-	225,000	128,360
2023-2027	-	-	158,000	91,322
2028-2032	-	-	194,000	54,768
2033-2037	-	-	138,350	11,944
Totals	<u>\$-</u>	<u>\$-</u>	<u>\$2,488,281</u>	<u>\$940,204</u>

### Compensated Absences

The City's employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the employee's years of service.

The following is a summary of compensated absences:

Current portion	30,249
Long-term portion	104,671
Total	<u>134,920</u>

## NOTE I – DEFINED BENEFIT PENSION PLAN:

The following information is based upon the latest available actuarial valuation (as of December 31, 2003).

### Plan Description

The City contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System



**NOTE I – DEFINED BENEFIT PENSION PLAN (Continued):**

issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Police Department and the Fire Department along with all other full-time employees of the City are eligible to participate in the System. Benefits vest after ten years of service. City employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.25 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Funding Policy

City employees are required to contribute -0- percent of their annual compensation to the System. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost of \$157,092 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002 using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 37 years.

Analysis of Funding Progress  
Three-Year Trend Information

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)- Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/04	\$4,710,390	\$4,082,118	\$628,272	87%	\$997,790	64%
12/31/05	5,722,209	4,660,740	1,061,469	81%	922,609	115%
12/31/06	5,892,259	4,868,274	1,023,985	83%	934,139	110%

Schedule of Employer Contributions

Fiscal Year Ending	Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2005	12/31/04	\$152,484	100%	-
06/30/2006	12/31/05	159,144	100%	-
06/30/2007	12/31/06	157,092	100%	-

## **NOTE J – CONTINGENT LIABILITIES:**

### Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently participates with other municipalities in the Michigan Municipal Liability and Property Pool, a public entity risk pool operating as a common risk management and insurance program. The City pays an annual premium for its general liability and real and personal property protection. The Pool will be self-sustaining through member premiums and will pay for losses sustained in excess of specified deductible amounts.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Landfill Closure

Through 1991, the City, area municipalities and other entities operated a local landfill. The landfill is closed, and now it is undergoing the post closure process. Necessary costs are being paid by the users in proportion to the amount of tonnage disposed at the landfill. The City's portion was estimated at 26.25% of the total.

The costs of closure are approximated at \$2,256,000. Based on the distribution of 26.25%, the City would be responsible for \$592,000 of this amount. This amount includes engineering and design of the cap, construction of the cap and hydro geological study. The City issued \$650,000 in bonds during fiscal year 1996-1997 to finance its share of the costs. No further costs associated with the closure process are expected.

The post closure costs associated with contingency reserves and 30 years of monitoring and maintenance are estimated at \$836,000 with the City's portion being \$220,000. These costs are to be paid as incurred as part of the City's general operating budget. During the year the City paid \$-0- for these post closure costs. The Landfill is in year seven of the post closure period.

### Wastewater System

The City has been cited by the Department of Environmental Quality (DEQ) for five violations of State Acts resulting from deficiencies in its wastewater collection system. The City is currently taking action to remedy the situation. Inaction raises the potential for imposition of fines and penalties by the DEQ.

The City prepared a five year plan documenting how it plans to address these issues. On an on-going basis, revisions/updates to this plan will be submitted to DEQ as well as reports on projects undertaken in accordance with this plan.

## **NOTE K – DEFERRED COMPENSATION PLAN:**

The City of Munising offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all City employees, and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

**NOTE K – DEFERRED COMPENSATION PLAN (Continued):**

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. Therefore in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The City's plans are administered by the International City Manager's Association (ICMA), and the Variable Annuity Life Insurance Company (VALIC). ICMA, as Plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from ICMA or their respective agents' failure to perform their duties and services pursuant to the ICMA program.

**NOTE L – CONSTRUCTION IN PROGRESS:**

The City has begun projects to construct additions, extensions and improvements to the City's Sanitary Sewage and Water Filtration Systems. Construction on these projects has begun engineering costs and construction costs incurred through June 30, 2007 amounted to \$400,954 and \$204,276, respectively.

The City has begun projects to improve H-58. The total costs incurred through June 30, 2007 amounted to \$28,136 in the General Fund and \$15,042 in the Sewer Fund.

**NOTE M – DEFICIT FUND BALANCE/NET ASSETS:**

As of June 30, 2007, the Brownfield Redevelopment Authority Fund reported a deficit in unreserved fund balance of \$79,991. Future tax collections will remediate the deficit when the project is complete.

**NOTE N – NET ASSETS RESTATED:**

The component unit activities – Landfill Authority net assets were restated at the beginning of the year as a result of an accounting estimate adjustment to the account receivable. The restatement resulted in a decrease of net assets of \$28,795.

**NOTE O – CENTENNIAL ARENA:**

The Centennial Arena is a fixed asset of the City that, in previous years, was not recorded on the City's books. The arena had an original cost of \$409,490 with accumulated depreciation of \$220,100 as of July 1, 2006. This correction resulted in a net increase to net assets of \$189,390 and is recorded in the "Other Adjustments" column of Footnote F.

## Required Supplementary Information

**City of Munising, Michigan**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 1,168,150	\$ 1,168,150	\$ 1,233,259	\$ 65,109
Licenses and permits	30,000	30,000	32,549	2,549
Intergovernmental revenues	339,823	339,823	294,932	(44,891)
Charges for services	146,300	146,300	177,445	31,145
Fines and forfeits	1,000	1,000	523	(477)
Interest income	29,500	50,000	52,525	2,525
Other revenues	41,110	59,885	113,090	53,205
<b>TOTAL REVENUES</b>	<u>1,755,883</u>	<u>1,795,158</u>	<u>1,904,323</u>	<u>109,165</u>
<b>EXPENDITURES:</b>				
Legislative	15,750	15,750	14,096	1,654
General government	482,749	498,959	485,146	13,813
Public safety	490,800	492,497	429,008	63,489
Public works	334,300	342,285	321,665	20,620
Parks and recreation	170,000	202,413	159,897	42,516
Debt service	54,200	54,200	54,198	2
<b>TOTAL EXPENDITURES</b>	<u>1,547,799</u>	<u>1,606,104</u>	<u>1,464,010</u>	<u>142,094</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>208,084</u>	<u>189,054</u>	<u>440,313</u>	<u>251,259</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	48,900	48,900	48,000	(900)
Transfers out	(515,484)	(495,484)	(462,334)	33,150
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(466,584)</u>	<u>(446,584)</u>	<u>(414,334)</u>	<u>32,250</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(258,500)</u>	<u>(257,530)</u>	<u>25,979</u>	<u>283,509</u>
Fund balance, beginning of year	<u>389,348</u>	<u>389,348</u>	<u>389,348</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 130,848</u></u>	<u><u>\$ 131,818</u></u>	<u><u>\$ 415,327</u></u>	<u><u>\$ 283,509</u></u>

**City of Munising, Michigan**  
**MAJOR SPECIAL REVENUE FUNDS**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Fiscal Year Ended June 30, 2007

	MAJOR STREET FUND				LOCAL STREET FUND				BROWNFIELD REDEVELOPMENT AUTHORITY			
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
<b>REVENUES:</b>												
Intergovernmental revenue	\$ 293,000	\$ 293,000	\$ 287,124	\$ (5,876)	\$ 95,000	\$ 95,000	\$ 108,100	\$ 13,100	\$ -	\$ -	\$ -	\$ -
Interest income	1,700	-	-	-	500	-	4	4	-	-	613	613
Federal sources	-	-	-	-	-	-	-	-	268,096	268,096	141,198	(126,898)
Other income	-	-	200	200	-	-	131	131	1,200	600	-	(600)
<b>TOTAL REVENUES</b>	<u>294,700</u>	<u>293,000</u>	<u>287,324</u>	<u>(5,676)</u>	<u>95,500</u>	<u>95,000</u>	<u>108,235</u>	<u>13,235</u>	<u>269,296</u>	<u>268,696</u>	<u>141,811</u>	<u>(126,885)</u>
<b>EXPENDITURES:</b>												
Public works	280,450	280,450	242,252	38,198	282,750	282,750	229,959	52,791	234,146	234,146	196,620	37,526
Debt Service	50,763	50,763	50,715	48	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>331,213</u>	<u>331,213</u>	<u>292,967</u>	<u>38,246</u>	<u>282,750</u>	<u>282,750</u>	<u>229,959</u>	<u>52,791</u>	<u>234,146</u>	<u>234,146</u>	<u>196,620</u>	<u>37,526</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(36,513)</u>	<u>(38,213)</u>	<u>(5,643)</u>	<u>32,570</u>	<u>(187,250)</u>	<u>(187,750)</u>	<u>(121,724)</u>	<u>66,026</u>	<u>35,150</u>	<u>34,550</u>	<u>(54,809)</u>	<u>(89,359)</u>
<b>OTHER FINANCING SOURCES (USES):</b>												
Transfers in	1,000	31,000	30,000	(1,000)	186,525	141,525	131,054	(10,471)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,000</u>	<u>31,000</u>	<u>30,000</u>	<u>(1,000)</u>	<u>186,525</u>	<u>141,525</u>	<u>131,054</u>	<u>(10,471)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(35,513)</u>	<u>(7,213)</u>	<u>24,357</u>	<u>31,570</u>	<u>(725)</u>	<u>(46,225)</u>	<u>9,330</u>	<u>55,555</u>	<u>35,150</u>	<u>34,550</u>	<u>(54,809)</u>	<u>(89,359)</u>
Fund balance, beginning of year	-	-	-	-	-	-	-	-	(25,182)	(25,182)	(25,182)	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (35,513)</u>	<u>\$ (7,213)</u>	<u>\$ 24,357</u>	<u>\$ 31,570</u>	<u>\$ (725)</u>	<u>\$ (46,225)</u>	<u>\$ 9,330</u>	<u>\$ 55,555</u>	<u>\$ 9,968</u>	<u>\$ 9,368</u>	<u>\$ (79,991)</u>	<u>\$ (89,359)</u>

**City of Munising, Michigan**

**CAPITAL PROJECTS FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Public works				
Capital outlay	<u>1,807,000</u>	<u>1,841,550</u>	<u>22,340</u>	<u>1,819,210</u>
<b>TOTAL EXPENDITURES</b>	<u>1,807,000</u>	<u>1,841,550</u>	<u>22,340</u>	<u>1,819,210</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,807,000)</u>	<u>(1,841,550)</u>	<u>(22,340)</u>	<u>1,819,210</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	1,670,000	1,670,000	-	(1,670,000)
Transfers in	840,000	840,000	438,737	(401,263)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,510,000</u>	<u>2,510,000</u>	<u>438,737</u>	<u>(2,071,263)</u>
<b>CHANGE IN FUND BALANCE</b>	703,000	668,450	416,397	(252,053)
Fund balance, beginning of year	<u>192,287</u>	<u>192,287</u>	<u>192,287</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 895,287</u></u>	<u><u>\$ 860,737</u></u>	<u><u>\$ 608,684</u></u>	<u><u>\$ (252,053)</u></u>

# City of Munising, Michigan

## MAJOR GOVERNMENTAL FUNDS

### **GENERAL FUND**

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The MAJOR STREET, LOCAL STREET, and BROWNFIELD REDEVELOPMENT AUTHORITY FUND are major special revenue fund types.

MAJOR STREET AND LOCAL STREET FUND: Michigan's Act 51 of 1993, as amended, allocates gasoline and weight taxes to build and maintain roads, roadsides and storm sewers and to remove snow from and to control traffic along roads. These tax monies may be transferred between funds only as permitted by law. Other revenues include general taxes transferred from the General Fund. Within the City, Federal and State trunklines and certain "mile" roads are maintained by the City under contractual agreement with the State of Michigan and are subject to reimbursement to the City. The remaining mile roads and certain other roads are designated as MAJOR STREETS, maintained on a priority basis by the City, and the remaining roads are designated as LOCAL STREETS.

### **CAPITAL PROJECTS FUND**

The function of the Capital Projects Fund is to record revenues and expenditures for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The modified accrual basis of accounting is used in recording Capital Project Fund transactions.



**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Property Taxes:			
Property taxes	\$ 1,137,000	\$ 1,187,344	\$ 50,344
Penalties, interest and fees	31,000	45,915	14,915
Trailer taxes	150	-	(150)
Total Property Taxes	<u>1,168,150</u>	<u>1,233,259</u>	<u>65,109</u>
Licenses and Permits:			
Business licenses and franchises	29,000	30,839	1,839
Other licenses and permits	1,000	1,710	710
Total Licenses and Permits	<u>30,000</u>	<u>32,549</u>	<u>2,549</u>
Intergovernmental Revenue:			
Payments in lieu of taxes	9,200	10,168	968
State revenue sharing	294,623	284,764	(9,859)
Federal grants	36,000	-	(36,000)
Other	-	-	-
Total Intergovernmental Revenue	<u>339,823</u>	<u>294,932</u>	<u>(44,891)</u>
Charges for Services:			
Industrial park leases	4,800	16,373	11,573
Tourist park fees	112,500	128,711	16,211
Solid waste disposal tags	29,000	32,361	3,361
Total Charges for Services	<u>146,300</u>	<u>177,445</u>	<u>31,145</u>
Fines and forfeits	<u>1,000</u>	<u>523</u>	<u>(477)</u>
Interest income	<u>50,000</u>	<u>52,525</u>	<u>2,525</u>
Other Miscellaneous Revenue:			
Special assessments	2,960	11,857	8,897
Cemetery lots	15,000	22,028	7,028
Private contributions	15,400	15,399	(1)
Local contributions	-	900	900
Other	26,525	62,906	36,381
Total Other Miscellaneous Revenue	<u>59,885</u>	<u>113,090</u>	<u>53,205</u>
<b>TOTAL REVENUES</b>	<u>1,795,158</u>	<u>1,904,323</u>	<u>109,165</u>

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Personnel services	\$ 3,250	\$ 2,971	\$ 279
Supplies	400	81	319
Other services and charges	12,100	11,044	1,056
Capital outlay	-	-	-
<b>TOTAL LEGISLATIVE</b>	<u>15,750</u>	<u>14,096</u>	<u>1,654</u>
<b>GENERAL GOVERNMENT:</b>			
Executive:			
Personnel services	100,000	96,564	3,436
Supplies	500	249	251
Other services and charges	15,560	15,750	(190)
Capital outlay	200	-	200
<b>Total Executive</b>	<u>116,260</u>	<u>112,563</u>	<u>3,697</u>
Elections:			
Personnel services	2,500	1,589	911
Supplies	1,500	876	624
Other services and charges	2,700	1,164	1,536
Capital outlay	-	-	-
<b>Total Elections</b>	<u>6,700</u>	<u>3,629</u>	<u>3,071</u>
Legal and Accounting:			
Personnel services	-	-	-
Supplies	8,410	9,209	(799)
Other services and charges	24,800	24,544	256
Capital outlay	-	-	-
<b>Total Legal and Accounting</b>	<u>33,210</u>	<u>33,753</u>	<u>(543)</u>
Assessor:			
Personnel services	-	-	-
Supplies	100	36	64
Other services and charges	19,725	20,440	(715)
Capital outlay	-	-	-
<b>Total Assessor</b>	<u>19,825</u>	<u>20,476</u>	<u>(651)</u>
Clerk:			
Personnel services	69,450	65,324	4,126
Supplies	4,500	1,719	2,781
Other services and charges	27,100	29,155	(2,055)
Capital outlay	-	115	(115)
<b>Total Clerk</b>	<u>101,050</u>	<u>96,313</u>	<u>4,737</u>
Board of Review:			
Personnel services	350	389	(39)
Supplies	-	-	-
Other services and charges	100	187	(87)
Capital outlay	-	-	-
<b>Total Board of Review</b>	<u>450</u>	<u>576</u>	<u>(126)</u>

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>Treasurer:</b>			
Personnel services	\$ 50,750	\$ 56,798	\$ (6,048)
Supplies	500	654	(154)
Other services and charges	19,500	15,214	4,286
Capital outlay	-	-	-
Total Treasurer	70,750	72,666	(1,916)
<b>Cemetery:</b>			
Personnel services	51,000	56,871	(5,871)
Supplies	600	787	(187)
Other services and charges	14,000	11,945	2,055
Capital outlay	700	632	68
Total Cemetery	66,300	70,235	(3,935)
<b>Other General Government:</b>			
Insurance	26,000	26,000	-
Other miscellaneous services and charges	58,414	48,935	9,479
Total Other General Government	84,414	74,935	9,479
<b>TOTAL GENERAL GOVERNMENT</b>	<b>498,959</b>	<b>485,146</b>	<b>13,813</b>
<b>PUBLIC SAFETY:</b>			
<b>Police Department:</b>			
Personnel services	345,500	337,357	8,143
Supplies	3,900	3,238	662
Other services and charges	40,050	34,880	5,170
Capital outlay	-	2,383	(2,383)
Total Police Department	389,450	377,858	11,592
<b>Fire Department:</b>			
Personnel services	1,200	516	684
Supplies	5,000	819	4,181
Other services and charges	48,600	43,234	5,366
Capital outlay	40,650	-	40,650
Total Fire Department	95,450	44,569	50,881
<b>Planning:</b>			
Personnel services	3,500	3,205	295
Supplies	100	-	100
Other services and charges	3,997	3,376	621
Capital outlay	-	-	-
Total Planning	7,597	6,581	1,016
<b>TOTAL PUBLIC SAFETY</b>	<b>492,497</b>	<b>429,008</b>	<b>63,489</b>
<b>PUBLIC WORKS:</b>			
<b>Public Works Department:</b>			
Personnel services	143,000	138,063	4,937
Supplies	7,935	7,544	391
Other services and charges	144,150	133,667	10,483
Capital outlay	-	-	-
Total Public Works Department	295,085	279,274	15,811

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Sanitation and Refuse Collection:			
Other services and charges	\$ 47,200	\$ 42,391	\$ 4,809
Total Sanitation and Refuse Collection	<u>47,200</u>	<u>42,391</u>	<u>4,809</u>
<b>TOTAL PUBLIC WORKS</b>	<u>342,285</u>	<u>321,665</u>	<u>20,620</u>
<b>PARKS AND RECREATION:</b>			
Parks and Recreation Department:			
Personnel services	23,700	30,581	(6,881)
Supplies	850	680	170
Other services and charges	19,500	22,920	(3,420)
Capital outlay	8,303	12,575	(4,272)
Total Parks and Recreation Department	<u>52,353</u>	<u>66,756</u>	<u>(14,403)</u>
Tourist Park:			
Personnel services	6,700	8,979	(2,279)
Supplies	800	1,327	(527)
Other services and charges	51,500	51,839	(339)
Capital outlay	65,000	5,005	59,995
Total Tourist Park	<u>124,000</u>	<u>67,150</u>	<u>56,850</u>
Ice Arena:			
Supplies	24,460	24,448	12
Other services and charges	1,600	1,543	57
Total Ice Arena	<u>26,060</u>	<u>25,991</u>	<u>69</u>
<b>TOTAL PARKS AND RECREATION</b>	<u>202,413</u>	<u>159,897</u>	<u>42,516</u>
<b>DEBT SERVICE:</b>			
Principal payments	30,000	30,000	-
Interest and fiscal charges	24,200	24,198	2
<b>TOTAL DEBT SERVICE</b>	<u>54,200</u>	<u>54,198</u>	<u>2</u>
<b>TOTAL EXPENDITURES</b>	<u>1,606,104</u>	<u>1,464,010</u>	<u>142,094</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>189,054</u>	<u>440,313</u>	<u>251,259</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	48,900	48,000	(900)
Transfers out	<u>(495,484)</u>	<u>(462,334)</u>	<u>33,150</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(446,584)</u>	<u>(414,334)</u>	<u>32,250</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(257,530)</u>	<u>25,979</u>	<u>283,509</u>
Fund balance, beginning of year	<u>389,348</u>	<u>389,348</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 131,818</u>	<u>\$ 415,327</u>	<u>\$ 283,509</u>

**City of Munising, Michigan**

**MAJOR STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 293,000	\$ 287,124	\$ (5,876)
Interest income	-	-	-
Other income	-	200	200
<b>TOTAL REVENUES</b>	<u>293,000</u>	<u>287,324</u>	<u>(5,676)</u>
<b>EXPENDITURES:</b>			
Public Works:			
Construction	-	-	-
Routine maintenance	39,750	30,763	8,987
Street/catch basin cleaning	32,950	11,115	21,835
Traffic services maintenance	2,450	310	2,140
Winter maintenance	110,500	81,770	28,730
General and administrative	1,300	1,302	(2)
Highway M-28	93,500	116,992	(23,492)
Total Public Works	<u>280,450</u>	<u>242,252</u>	<u>38,198</u>
Debt Service:			
Principal retirement	50,763	45,363	5,400
Interest and fiscal charges	-	5,352	(5,352)
Total Debt Service	<u>50,763</u>	<u>50,715</u>	<u>48</u>
<b>TOTAL EXPENDITURES</b>	<u>331,213</u>	<u>292,967</u>	<u>38,246</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(38,213)</u>	<u>(5,643)</u>	<u>32,570</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	31,000	30,000	(1,000)
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>31,000</u>	<u>30,000</u>	<u>(1,000)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(7,213)</u>	<u>24,357</u>	<u>31,570</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (7,213)</u>	<u>\$ 24,357</u>	<u>\$ 31,570</u>

**City of Munising, Michigan**

**LOCAL STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 95,000	\$ 108,100	\$ 13,100
Interest income	-	4	4
Other income	-	131	131
<b>TOTAL REVENUES</b>	<u>95,000</u>	<u>108,235</u>	<u>13,235</u>
<b>EXPENDITURES:</b>			
Public Works:			
Construction	-	-	-
Routine maintenance	87,000	81,896	5,104
Street/catch basin cleaning	33,500	22,617	10,883
Traffic services maintenance	3,150	443	2,707
Winter maintenance	158,200	123,990	34,210
General and administrative	900	1,013	(113)
<b>TOTAL EXPENDITURES</b>	<u>282,750</u>	<u>229,959</u>	<u>52,791</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(187,750)</u>	<u>(121,724)</u>	<u>66,026</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	141,525	131,054	(10,471)
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>141,525</u>	<u>131,054</u>	<u>(10,471)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(46,225)</u>	<u>9,330</u>	<u>55,555</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ (46,225)</u></u>	<u><u>\$ 9,330</u></u>	<u><u>\$ 55,555</u></u>

**City of Munising, Michigan**

**BROWNFIELD REDEVELOPMENT AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Federal sources	\$ 268,096	\$ 141,198	\$ (126,898)
Interest income	600	613	13
Other	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>268,696</u>	<u>141,811</u>	<u>(126,885)</u>
<b>EXPENDITURES:</b>			
Public Works:			
Other services and charges	<u>234,146</u>	<u>196,620</u>	<u>37,526</u>
<b>TOTAL EXPENDITURES</b>	<u>234,146</u>	<u>196,620</u>	<u>37,526</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	34,550	(54,809)	(89,359)
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	34,550	(54,809)	(89,359)
Fund balance, beginning of year	<u>(25,182)</u>	<u>(25,182)</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 9,368</u></u>	<u><u>\$ (79,991)</u></u>	<u><u>\$ (89,359)</u></u>

**City of Munising, Michigan**

**CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ -	\$ -	\$ -
Interest income	-	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Public works			
Capital outlay	1,841,550	22,340	1,819,210
<b>TOTAL EXPENDITURES</b>	<u>1,841,550</u>	<u>22,340</u>	<u>1,819,210</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(1,841,550)</u>	<u>(22,340)</u>	<u>1,819,210</u>
<b>OTHER FINANCING SOURCES:</b>			
Proceeds from borrowing	1,670,000	-	(1,670,000)
Transfers in	840,000	438,737	(401,263)
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>2,510,000</u>	<u>438,737</u>	<u>(2,071,263)</u>
<b>CHANGE IN FUND BALANCE</b>	668,450	416,397	(252,053)
Fund balance, beginning of year	192,287	192,287	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 860,737</u>	<u>\$ 608,684</u>	<u>\$ (252,053)</u>



## Combining and Individual Fund Financial Statements

# City of Munising, Michigan

## NON-MAJOR GOVERNMENTAL FUNDS

### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The POLICE TRAINING FUND is a non-major special revenue fund types.

### **DEBT SERVICE FUNDS**

The function of the Debt Service Funds is to account for the accumulation of resources and payment of general obligation principal and interest from the governmental resources. The modified accrual basis of accounting is used in recording the Debt Service Fund transactions.

**BUILDING CONSTRUCTION DEBT SERVICE FUND:** This fund was established in 2005 to account for the annual payments on the retirement of the 2005 General Obligation Limited Tax Bonds. These bonds, totaling \$829,350, were issued for the purpose of financing the acquisition and renovation of a building, construction of a vehicle storage facility, salt storage structure and material storage area.

**ROAD CONSTRUCTION DEBT SERVICE FUND:** This fund was established in 2005 to account for the annual payments on the 2005 Michigan State Infrastructure Bank Loan. This loan, totaling \$500,000, was issued for the purpose of financing road construction and improvements.

### **PERMANENT FUNDS**

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions.

**CEMETARY FUND:** This fund is used to account for monies received for care of cemetery lots. The principal amount must be maintained intact and invested. Interest earnings are used to offset the City's cost of cemetery maintenance.

**City of Munising, Michigan**

**NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

June 30, 2007

	Special Revenue Funds	Debt Service Funds	Permanent Funds Cemetery Trust Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,333	\$ -	\$ 40,482	\$ 48,815
Cash and cash equivalents-restricted	-	-	-	-
Accounts receivable, net	-	-	-	-
Other assets	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 40,482</u>	<u>\$ 48,815</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE:</b>				
Reserved for:				
Cemetery Trust	-	-	40,482	40,482
Unreserved, reported in:				
Capital projects funds	-	-	-	-
Special revenue funds	8,333	-	-	8,333
<b>TOTAL FUND BALANCE</b>	<u>8,333</u>	<u>-</u>	<u>40,482</u>	<u>48,815</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 40,482</u>	<u>\$ 48,815</u>

**City of Munising, Michigan**

**NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Trust Fund	Total
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 1,155	\$ -	\$ -	\$ 1,155
Interest income	-	-	2,043	2,043
Other revenue	7,150	-	-	7,150
<b>TOTAL REVENUES</b>	<u>8,305</u>	<u>-</u>	<u>2,043</u>	<u>10,348</u>
<b>EXPENDITURES:</b>				
Current operations:				
Public safety	4,248	-	-	4,248
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal retirement	-	59,924	-	59,924
Interest and fiscal charges	-	48,302	-	48,302
<b>TOTAL EXPENDITURES</b>	<u>4,248</u>	<u>108,226</u>	<u>-</u>	<u>112,474</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,057</u>	<u>(108,226)</u>	<u>2,043</u>	<u>(102,126)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from borrowing	-	-	-	-
Transfers in	-	108,226	-	108,226
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>108,226</u>	<u>-</u>	<u>108,226</u>
<b>CHANGE IN FUND BALANCE</b>	<u>4,057</u>	<u>-</u>	<u>2,043</u>	<u>6,100</u>
Fund balance, beginning of year	<u>4,276</u>	<u>-</u>	<u>38,439</u>	<u>42,715</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 40,482</u>	<u>\$ 48,815</u>

**City of Munising, Michigan**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2007

	Police Training Fund	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,333	\$ 8,333
Accounts receivable, net	-	-
Other current assets	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,333</b>	<b>\$ 8,333</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accrued liabilities	\$ -	\$ -
Due to other funds	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>		
Unreserved	8,333	8,333
<b>TOTAL FUND BALANCE</b>	<b>8,333</b>	<b>8,333</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 8,333</b>	<b>\$ 8,333</b>

**City of Munising, Michigan**

**NON-MAJOR SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2007

	Police Training Fund	Total
<b>REVENUES:</b>		
Intergovernmental revenue	\$ 1,155	\$ 1,155
Interest income	-	-
Other revenue	7,150	7,150
<b>TOTAL REVENUES</b>	<b>8,305</b>	<b>8,305</b>
<b>EXPENDITURES:</b>		
Current operations:		
Public safety	4,248	4,248
Public works	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,248</b>	<b>4,248</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,057</b>	<b>4,057</b>
<b>OTHER FINANCING SOURCES:</b>		
Transfers in	-	-
Transfers (out)	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCE</b>	<b>4,057</b>	<b>4,057</b>
Fund balance, beginning of year	4,276	4,276
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 8,333</b>	<b>\$ 8,333</b>

**City of Munising, Michigan**

**POLICE TRAINING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 1,326	\$ 1,155	\$ (171)
Other	5,000	7,150	2,150
<b>TOTAL REVENUES</b>	<u>6,326</u>	<u>8,305</u>	<u>1,979</u>
<b>EXPENDITURES:</b>			
Public Safety:			
Other services and charges	7,099	4,248	2,851
<b>TOTAL EXPENDITURES</b>	<u>7,099</u>	<u>4,248</u>	<u>2,851</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(773)	4,057	4,830
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	-	-	-
<b>CHANGE IN FUND BALANCE</b>	(773)	4,057	4,830
Fund balance, beginning of year	4,276	4,276	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,503</u>	<u>\$ 8,333</u>	<u>\$ 4,830</u>

**City of Munising, Michigan**

**NON-MAJOR DEBT SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2007

	Building Construction Debt Service Fund	Road Construction Debt Service Fund	Total
<b>REVENUES:</b>			
Intergovernmental revenue	\$ -	\$ -	\$ -
Interest income	-	-	-
Other revenue	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Debt Service:			
Principal	15,000	44,924	59,924
Interest and other	34,610	13,692	48,302
<b>TOTAL EXPENDITURES</b>	<u>49,610</u>	<u>58,616</u>	<u>108,226</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(49,610)</u>	<u>(58,616)</u>	<u>(108,226)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers in	49,610	58,616	108,226
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>49,610</u>	<u>58,616</u>	<u>108,226</u>
<b>CHANGES IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



# City of Munising, Michigan

## ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

**City of Munising, Michigan**

**SEWER FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006

	2007			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006
<b>OPERATING REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services:				
Sales to customers	623,000	620,395	(2,605)	604,275
Repairs, taps and permits	5,000	2,735	(2,265)	2,265
Sewer improvements	129,000	112,071	(16,929)	123,174
Other	48,000	50,091	2,091	44,164
<b>TOTAL OPERATING REVENUES</b>	<b>805,000</b>	<b>785,292</b>	<b>(19,708)</b>	<b>773,878</b>
<b>OPERATING EXPENSES:</b>				
Sewer Collection:				
Personnel services	38,600	16,335	22,265	22,465
Supplies	2,000	248	1,752	369
Professional services	5,000	1,086	3,914	2,349
Other services and charges	2,000	41	1,959	219
Equipment rental	10,000	3,990	6,010	6,826
Total Sewer Collection	<u>57,600</u>	<u>21,700</u>	<u>35,900</u>	<u>32,228</u>
Sewer Treatment:				
Personnel services	263,400	259,505	3,895	234,368
Supplies	24,500	21,006	3,494	26,220
Professional services	37,000	36,063	937	35,981
Other services and charges	150,700	128,402	22,298	145,754
Equipment rental	-	24	(24)	-
Total Sewer Treatment	<u>475,600</u>	<u>445,000</u>	<u>30,600</u>	<u>442,323</u>
Administrative and General:				
Personnel services	28,700	19,757	8,943	17,879
Supplies	1,200	1,046	154	1,105
Professional services	43,000	3,768	39,232	6,763
Other services and charges	10,633	8,066	2,567	3,885
Total Administrative and General	<u>83,533</u>	<u>32,637</u>	<u>50,896</u>	<u>29,632</u>
Depreciation	90,000	143,110	(53,110)	144,564
<b>TOTAL OPERATING EXPENSES</b>	<b>706,733</b>	<b>642,447</b>	<b>64,286</b>	<b>648,747</b>
<b>OPERATING INCOME (LOSS)</b>	<b>98,267</b>	<b>142,845</b>	<b>44,578</b>	<b>125,131</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	30,100	30,399	299	24,140
Interest expense	(13,600)	(9,485)	4,115	(11,062)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>16,500</b>	<b>20,914</b>	<b>4,414</b>	<b>13,078</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>114,767</b>	<b>163,759</b>	<b>48,992</b>	<b>138,209</b>
Transfers (out)	(135,500)	(6,500)	129,000	(6,115)
<b>CHANGE IN NET ASSETS</b>	<b>(20,733)</b>	<b>157,259</b>	<b>177,992</b>	<b>132,094</b>
Net assets, beginning of year	3,421,484	3,421,484	-	3,319,926
Prior period adjustment	-	-	-	(30,536)
Net assets, beginning of year, as restated	<u>3,421,484</u>	<u>3,421,484</u>	<u>-</u>	<u>3,289,390</u>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,400,751</b>	<b>\$ 3,578,743</b>	<b>\$ 177,992</b>	<b>\$ 3,421,484</b>

**City of Munising, Michigan**

**WATER FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006

	2007			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006
<b>OPERATING REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services:				
Sales to customers	389,700	387,282	(2,418)	371,441
Repairs, taps and permits	2,500	2,842	342	1,149
Water improvements	125,000	132,089	7,089	121,418
Other	1,000	12,953	11,953	6,611
<b>TOTAL OPERATING REVENUES</b>	<b>518,200</b>	<b>535,166</b>	<b>16,966</b>	<b>500,619</b>
<b>OPERATING EXPENSES:</b>				
Transmission and Distribution:				
Personnel services	186,000	220,325	(34,325)	195,114
Supplies	20,000	12,546	7,454	15,460
Professional services	5,000	5,118	(118)	2,218
Other services and charges	73,700	71,179	2,521	63,100
Equipment rental	32,000	36,502	(4,502)	31,173
Total Transmission and Distribution	<u>316,700</u>	<u>345,670</u>	<u>(28,970)</u>	<u>307,065</u>
Administrative and General:				
Personnel services	21,200	18,749	2,451	17,843
Supplies	1,200	1,087	113	1,229
Professional services	7,000	5,299	1,701	6,795
Other services and charges	9,433	8,200	1,233	3,548
Total Administrative and General	<u>38,833</u>	<u>33,335</u>	<u>5,498</u>	<u>29,415</u>
Depreciation	90,000	91,775	(1,775)	97,996
<b>TOTAL OPERATING EXPENSES</b>	<b>445,533</b>	<b>470,780</b>	<b>(25,247)</b>	<b>434,476</b>
<b>OPERATING INCOME (LOSS)</b>	<b>72,667</b>	<b>64,386</b>	<b>(8,281)</b>	<b>66,143</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	20,500	22,625	2,125	20,405
Interest expense	(61,265)	(26,265)	35,000	(27,735)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(40,765)</b>	<b>(3,640)</b>	<b>37,125</b>	<b>(7,330)</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>31,902</b>	<b>60,746</b>	<b>28,844</b>	<b>58,813</b>
Transfers (out)	(131,500)	(6,500)	125,000	(6,115)
<b>CHANGE IN NET ASSETS</b>	<b>(99,598)</b>	<b>54,246</b>	<b>153,844</b>	<b>52,698</b>
Net assets, beginning of year	2,683,544	2,683,544	-	2,630,846
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,583,946</b>	<b>\$ 2,737,790</b>	<b>\$ 153,844</b>	<b>\$ 2,683,544</b>

**City of Munising, Michigan**

**MARINA FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006

	2007			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006
<b>OPERATING REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Charges for services:				
Dock fees	48,000	60,209	12,209	56,087
Boat ramp fees	8,000	7,473	(527)	6,947
Gas sales and other	35,050	31,631	(3,419)	25,460
Other	500	1,072	572	1,038
<b>TOTAL OPERATING REVENUES</b>	<b>91,550</b>	<b>100,385</b>	<b>8,835</b>	<b>89,532</b>
<b>OPERATING EXPENSES:</b>				
Administrative and General:				
Personnel services	22,600	19,326	3,274	22,275
Supplies	31,000	28,893	2,107	28,823
Other services and charges	73,100	11,836	61,264	22,048
Total Administrative and General	126,700	60,055	66,645	73,146
Repairs and maintenance	2,000	6,737	(4,737)	1,334
Depreciation	43,000	50,749	(7,749)	50,748
<b>TOTAL OPERATING EXPENSES</b>	<b>171,700</b>	<b>117,541</b>	<b>54,159</b>	<b>125,228</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(80,150)</b>	<b>(17,156)</b>	<b>62,994</b>	<b>(35,696)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	12,000	12,977	977	7,814
<b>TOTAL NONOPERATING REVENUES</b>	<b>12,000</b>	<b>12,977</b>	<b>977</b>	<b>7,814</b>
<b>CHANGE IN NET ASSETS</b>	<b>(68,150)</b>	<b>(4,179)</b>	<b>63,971</b>	<b>(27,882)</b>
Net assets, beginning of year	964,884	964,884	-	992,766
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 896,734</b>	<b>\$ 960,705</b>	<b>\$ 63,971</b>	<b>\$ 964,884</b>

# City of Munising, Michigan

## INTERNAL SERVICE FUNDS

The function of Internal Service Funds is to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

**City of Munising, Michigan**  
**ALL INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

June 30, 2007

	<b>Motor Pool Fund</b>	<b>Municipal Building Authority Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 365,439	\$ 11,240	\$ 376,679
Prepaid expenses	2,025	-	2,025
Other current assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>367,464</u>	<u>11,240</u>	<u>378,704</u>
Non-current Assets:			
Long-term receivables	-	26,260	26,260
Construction in progress	-	-	-
Capital assets	3,554,767	-	3,554,767
Accumulated depreciation	(1,534,943)	-	(1,534,943)
<b>TOTAL NON-CURRENT ASSETS</b>	<u>2,019,824</u>	<u>26,260</u>	<u>2,046,084</u>
<b>TOTAL ASSETS</b>	<u>2,387,288</u>	<u>37,500</u>	<u>2,424,788</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	18,879	-	18,879
Accrued salaries	-	-	-
Accrued sick and vacation leave	8,907	-	8,907
Current maturities on long-term debt	15,015	-	15,015
<b>TOTAL CURRENT LIABILITIES</b>	<u>42,801</u>	<u>-</u>	<u>42,801</u>
Long-term Liabilities:			
Notes payable	77,100	-	77,100
<b>TOTAL LIABILITIES</b>	<u>119,901</u>	<u>-</u>	<u>119,901</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,927,709	-	1,927,709
Net Assets:			
Unrestricted	339,678	37,500	377,178
<b>TOTAL NET ASSETS</b>	<u>\$ 2,267,387</u>	<u>\$ 37,500</u>	<u>\$ 2,304,887</u>

**City of Munising, Michigan**

**ALL INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

For the Fiscal Year Ended June 30, 2007

	<b>Motor Pool Fund</b>	<b>Municipal Building Authority Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Rents and royalties	\$ 378,645	\$ 80,231	\$ 458,876
Other	6,030	-	6,030
<b>TOTAL OPERATING REVENUES</b>	<b>384,675</b>	<b>80,231</b>	<b>464,906</b>
<b>OPERATING EXPENSES:</b>			
Personnel services	77,322	15,658	92,980
Services and supplies	71,765	14,327	86,092
Administrative and general	35,387	52,148	87,535
Repairs and maintenance	32,189	418	32,607
Depreciation	210,556	-	210,556
<b>TOTAL OPERATING EXPENSES</b>	<b>427,219</b>	<b>82,551</b>	<b>509,770</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(42,544)</b>	<b>(2,320)</b>	<b>(44,864)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	22,076	521	22,597
Gain (loss) on sale of assets	38,343	-	38,343
Federal grants	1,400	-	1,400
Interest expense	(1,971)	-	(1,971)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>59,848</b>	<b>521</b>	<b>60,369</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>17,304</b>	<b>(1,799)</b>	<b>15,505</b>
Capital contributions	-	-	-
Transfers (out)	(97,612)	-	(97,612)
<b>CHANGE IN NET ASSETS</b>	<b>(80,308)</b>	<b>(1,799)</b>	<b>(82,107)</b>
Net assets, beginning of year	2,347,695	39,299	2,386,994
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,267,387</b>	<b>\$ 37,500</b>	<b>\$ 2,304,887</b>

**City of Munising, Michigan**

**MOTOR POOL FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006

	2007			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006
<b>OPERATING REVENUES:</b>				
Rents and royalties	\$ 350,750	\$ 378,645	\$ 27,895	\$ 393,376
Other	-	6,030	6,030	4,174
<b>TOTAL OPERATING REVENUES</b>	<b>350,750</b>	<b>384,675</b>	<b>33,925</b>	<b>397,550</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	74,375	77,322	(2,947)	65,317
Services and supplies	94,600	71,765	22,835	132,991
Administrative and general	35,525	35,387	138	28,600
Repairs and maintenance	30,000	32,189	(2,189)	25,529
Depreciation	110,000	210,556	(100,556)	184,444
<b>TOTAL OPERATING EXPENSES</b>	<b>344,500</b>	<b>427,219</b>	<b>(82,719)</b>	<b>436,881</b>
<b>OPERATING INCOME (LOSS)</b>	<b>6,250</b>	<b>(42,544)</b>	<b>(48,794)</b>	<b>(39,331)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	22,000	22,076	76	15,900
Gain (loss) on sale of assets	-	38,343	38,343	-
Federal grants	-	1,400	1,400	22,600
Interest expense	(6,971)	(1,971)	5,000	(2,209)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>15,029</b>	<b>59,848</b>	<b>44,819</b>	<b>36,291</b>
<b>INCOME BEFORE TRANSFERS AND CONTRIBUTIONS</b>	<b>21,279</b>	<b>17,304</b>	<b>(3,975)</b>	<b>(3,040)</b>
Capital contributions	-	-	-	798,810
Transfers (out)	(102,836)	(97,612)	5,224	(41,977)
<b>CHANGE IN NET ASSETS</b>	<b>(81,557)</b>	<b>(80,308)</b>	<b>1,249</b>	<b>753,793</b>
Net assets, beginning of year	2,347,695	2,347,695	-	1,593,902
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,266,138</b>	<b>\$ 2,267,387</b>	<b>\$ 1,249</b>	<b>\$ 2,347,695</b>



**City of Munising, Michigan**

**MUNICIPAL BUILDING AUTHORITY FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2007  
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2006

	2007			
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006
<b>OPERATING REVENUES:</b>				
Rents and royalties	\$ 86,975	\$ 80,231	\$ (6,744)	\$ 56,899
Other	-	-	-	4,467
<b>TOTAL OPERATING REVENUES</b>	<u>86,975</u>	<u>80,231</u>	<u>(6,744)</u>	<u>61,366</u>
<b>OPERATING EXPENSES:</b>				
Personnel services	17,008	15,658	1,350	26,701
Services and supplies	15,700	14,327	1,373	13,070
Administrative and general	54,000	52,148	1,852	49,472
Repairs and maintenance	5,000	418	4,582	11,055
<b>TOTAL OPERATING EXPENSES</b>	<u>91,708</u>	<u>82,551</u>	<u>9,157</u>	<u>100,298</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(4,733)</u>	<u>(2,320)</u>	<u>2,413</u>	<u>(38,932)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	500	521	21	724
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>500</u>	<u>521</u>	<u>21</u>	<u>724</u>
<b>CHANGE IN NET ASSETS</b>	<u>(4,233)</u>	<u>(1,799)</u>	<u>2,434</u>	<u>(38,208)</u>
Net assets, beginning of year	39,299	39,299	-	77,507
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 35,066</u>	<u>\$ 37,500</u>	<u>\$ 2,434</u>	<u>\$ 39,299</u>

## **COMPLIANCE SUPPLEMENTS**



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, Members of the  
City Council and City Manager  
City of Munising, MI 49862

We have audited the financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Munising, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Munising, Michigan's basic financial statements and have issued our report thereon dated December 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Munising's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Munising, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Munising, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Munising, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Munising, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Munising, Michigan's internal control. We consider the deficiencies described in the accompanying Report to Management Letter dated December 10, 2007 to be significant deficiencies in internal control over financial reporting (items 207-01 through 207-03). We did not audit the City of Munising, Michigan's response and, accordingly, we express no opinion on it.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Munising, Michigan's internal control.

To the Honorable Mayor, Members of the  
City Council and City Manager  
City of Munising, MI 49862

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Munising, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying Report to Management Letter dated December 10, 2007 as item 2007-04. We did not audit the City of Munising, Michigan's response and, accordingly, we express no opinion on it.

\*\*\*\*\*

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 10, 2007



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### *City of Munising, Michigan Report to Management Letter For the Year Ended June 30, 2007*

To the Honorable Mayor and Members of  
the City Council  
City of Munising, Michigan  
Munising, MI 49862

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Munising, Michigan as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered City of Munising, Michigan's internal control over financial reporting (internal control) as a basis for designing out auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

#### 2007-01 – FINANCIAL REPORTING CYCLE

The monthly and year end financial reporting package as presented to the City Council is not fully compliant with the generally accepted accounting principles of reporting. Although the package contains an informative summation of the various Funds revenues and expenditures on both actual and budget basis it lacks the funds respective balance sheets which are necessary to determine the Funds financial position. We recommend the package be expanded to include the balance sheets to conform to current reporting standards. We also suggest any significant monthly and year end cut-off adjusting entries be incorporated into the financial statements in order to present a cleared picture of the various funds of

To the Honorable Mayor, Members of the  
City Council and City Manager  
City of Munising, MI 49862

the City. The City Council should document this review of the financial affairs in the minutes of the meeting as well as other financial events.

Management concurs and will include the balance sheet in its financial reporting package in the future.

## 2007-02 – INTERNAL CONTROL RECONCILIATION FUNCTION

### ***Cash Reconciliation***

In any system of internal accounting control one of the main ingredients is a strong reconciliation function. The general ledger contains the accounts and records which are the basis for the preparation of financial statements and for them to be free of a material error or irregularity, the necessity for timely and accurate reconciliations cannot be overemphasized. The bank reconciliations were performed timely; however, we noted during our audit that variances existed in the reconciliation of several cash accounts. We recommend and good internal control dictates the cash accounts be reconciled accurately to the general ledger on a monthly basis and any adjustments to be made be processed timely. Management concurs.

## 2007-03 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES

Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP. The staff of the City does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

## INSTANCE OF NON-COMPLIANCE

### 2007-04 – FUND BALANCE DEFICIT

The State of Michigan has enacted Public Act 275 of 1980, as amended: Failure to File Reports and Deficit Elimination Plans requiring local units to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct a deficit condition that existed at the end of the previous fiscal year. For reporting fund deficits, the term "fund deficit" is defined as a negative unreserved portion of fund balance for governmental fund types and a negative unrestricted portion of net assets for proprietary fund types.

The City's Brownfield Redevelopment Authority Fund had a deficit in unrestricted net assets of \$79,991 with the fund's total net assets amounting to \$79,991. The City was found to be in violation of the legal and contractual provisions of Public Act 275 by not filing a deficit elimination plan within 90 days as a result of the deficit in the Brownfield Redevelopment Authority Fund as of June 30, 2007.

Management is aware of the deficit in the Brownfield Redevelopment Authority Fund and, as explained in Footnote M to the financial statements, plans on using future tax collections to remediate the deficit when the redevelopment project is complete.

To the Honorable Mayor, Members of the  
City Council and City Manager  
City of Munising, MI 49862

## **OTHER COMMENTS AND RECOMMENDATIONS**

### ***Cash Deficits in Certain Funds***

At June 30, 2007 the following funds had a cash and investment deficit:

Fund	Deficit Cash/Investment Balance
Governmental Activities:	
Special Revenue Funds:	
Major Street	\$1,401
Brownfield Redevelopment Authority	3,750
Business-Type Activities:	
Sewer	4,834

Although these funds had cash deficits the overall cash position of the City is positive. These deficits do however represent use of resources of other funds and in essence are inter-fund working capital loans or advances. We remind the Council these are normally short term in nature. We suggest the Council evaluate the remedy to replenish these funds and restore them to a more natural position.

\* \* \* \* \*

This report is intended solely for the information and use of the City Council, the City's management, and any other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the City's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

December 10, 2007